MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2016/2017

DFA5028 – FINANCIAL ACCOUNTING 2

(For Diploma Students Only)

24 FEBRUARY 2017
09:00AM – 12:00PM
3 HOURS

INSTRUCTIONS TO STUDENT

1. This question paper consists of **9** pages with 4 questions.
2. Answer **ALL** questions.
3. Write your answers in the answer booklet provided.

QUESTION 1

Part A

The following is the list of financial information of Smart Digital Department Store extracted from their Adjusted Trial Balance for the year ended 31 December 2016.

	(RM)		(RM)
Accounts Payable	89,300	Interest Expense	10,000
Accounts Receivable	55,200	Interest Revenue	3,500
Accum. Dep. – Equipment	42,900	Merchandise Inventory	77,950
Cash	48,170	Office Salaries Expense	30,000
Capital	175,000	Prepaid Insurance	1,200
Cost of Goods Sold	471,250	Sales	725,000
Depreciation Exp. – Equipment	13,300	Sales Commissions Expense	21,250
Drawing	18,000	Sales Commissions Payable	5,200
Equipment	110,000	Sales Returns and Allowance	7,000
Insurance Expense	14,400	Utilities Expense	14,000

Instruction:

Prepare the Statement of Comprehensive Income for the Year Ended 31 December 2016 by using the multiple-step method.

(3 Marks)

Continued...

Part B

Infinity Supplies runs a supplies business. It does not keep complete accounting records, but is able to provide with the following information. The following is a summary of Infinity Supplies' bank and cash account for the year ended 31 December 2016:

	Cash	Bank		Cash	Bank
	(RM)	(RM)		(RM)	(RM)
Balance 1 Jan. 2016	7,400	8,990	Payments to creditors for goods	5,000	65,000
Receipts from debtors	15,000	91,000	Rent	-	3,950
			Insurance	-	1,470
			Sundry expenses	-	212
			Drawings	1,200	18,200
			Wages	11,260	-
			Balance 31 Dec. 2016	4,940	11,158
	22,400	99,990		22,400	99,990

The following additional information is available:

	31 Dec 2015	31 Dec 2016
	(RM)	(RM)
Inventory	10,800	12,200
Accounts payable for goods	12,700	14,100
Accounts receivable for goods	21,200	19,800
Insurance prepaid	420	440
Rent owing	390	-
Fixtures (net book value)	1,800	1,600

Instructions:

(a) Prepare the Statement of Affairs as at 31 December 2015. (4 Marks)

(b) Prepare the Sales Ledger Control account (Account Receivable) and Purchase Ledger Control account (Account Payable) for the year 2016. (4 Marks)

(c) Prepare the ledger for any prepayments or accruals. (4 Marks)

(d) Prepare the Statement of Comprehensive Income for the year ended 31 December 2016. (4 Marks)

(e) Prepare the Statement of Financial Position as at 31 December 2016. (6 Marks)

[TOTAL 25 MARKS]

Continued...

QUESTION 2

Part A

Good Lighting sells quality lightings and extends credit terms of 2/10, n/30 to all of its customers. During the month of June 2016, the following transactions occurred.

June 1 Purchased 25 down-lights on account for RM200 each from Extraordinary Lighting Sdn. Bhd, FOB destination, terms 1/10, n/45. The appropriate party also made a cash payment of RM50 for the freight on this date.

3 Sold 15 down-lights to Tip Top Lighting for RM300 each, FOB destination. The appropriate party also made a cash payment of RM30 for the freight on this date.

6 Received credit for 2 down-lights returned to Extraordinary Lighting Sdn. Bhd.

9 Paid Extraordinary Lighting Sdn. Bhd. in full, less discount.

12 Granted Tip Top Lighting RM600 credit for returned lightings costing RM400.

15 Received payment in full, less discount from Tip Top Lighting.

18 Purchased 15 chandeliers on account for RM500 each from Sunshine Lighting, FOB shipping point, terms 2/10, n/60. The appropriate party also made a cash payment of RM90 for the freight on this date.

25 Paid Sunshine Lighting in full, less discount.

26 Sold 10 chandeliers on account to Delima Light Enterprise for RM750 each.

28 Granted an allowance to Delima Light Enterprise for slightly damaged chandeliers RM200.

30 Received payment in full, less discount from Delima Light Enterprise.

Instruction:

Journalize the above transactions for Good Lighting using a perpetual inventory system.

(20 Marks)

Continued...

Part B

Answer the following independent questions.

(a) Non-operating activities consist of activities that are unrelated to a company's main line of operations. There are two main sections of non-operating activities in the Statement of Comprehensive Income. Identify the TWO (2) sections and provide ONE (1) example of item in each of the section.

(2 Marks)

(b) Identify any ONE (1) reason to why a business might opt in using a single-step method instead of a multiple-step method when preparing the Statement of Comprehensive Income. (1 Marks)

(c) Provide any TWO (2) advantages of using the perpetual inventory system in recording costs. (2 Marks)

[TOTAL 25 MARKS]

QUESTION 3

Part A

Wendy runs a party supplies business called, Little Party Company since the year 2010. The company had the following selected transactions for the year 2015 and 2016.

Year 2015

Jun 1	Accepted Kinder Company's 1-year, 8% note in settlement of a RM18,000 accounts receivable.
Aug 1	Loaned RM6,000 cash to one of Wendy's retailers, Melia Company, on a 8-month, 5% note.
Dec 31	Accrued interest on all notes receivable.

Year 2016

Apr 1	Received notification from Melia that she was unable to honor her promissory note but that she expects to pay the amount owed in the near future.
Jun 1	Received payment of principal plus interest on the Kinder Company's promissory note.

Wendy prepares adjusting entries once a year on every 31 December.

Continued...

Instruction:

Journalize the above transactions for the year 2015 and 2016. Show all workings.

(10 Marks)

Part B

John's Sloppy Burger, is a famous burger kiosk in Malacca Town. Due to high demand, John provides delivery services to customer in near located area. His business now has three delivery motor vehicles to cater the demand of his burger.

Prior to making the entry for this year 2016's depreciation expense, the subsidiary ledger for the fleet is as follows:

Motor Vehicle	Date of Purchase	Cost (RM)	Salvage value (RM)	Estimated life (in years)
1	1 Jan 2016	20,000	1,100	4
2	1 May 2016	32,000	1,200	5
3	1 July 2015	39,000	4,000	5

The company uses different depreciation methods on each of the motor vehicle as below:

1) Motor Vehicle (1) uses Straight-Line method
2) Motor Vehicle (2) uses Units-of-Activity method. Total estimated life is 70,000 miles. Total miles used up for the year 2016 are 15,000 miles.
3) Motor Vehicle (3) uses Double-declining-balance method with the double-decline rate of 40%.

Instruction:

Calculate the total depreciation expense from the date of purchase until the year ended 31 December 2016 for each of the three motor vehicles above. Show all detail workings.

(10 Marks)

Continued...

Part C

Boneo Printing Company provides mass printing services and uses the straight-line method to depreciate its printing equipment. The company recorded depreciation expense at the end of the year according to the calendar year.

The following transactions and events occurred during the first three years.

2016	May	1	Purchased a heavy duty printer from Steel Factory for RM2,300 cash. Sales tax of RM140, and shipping costs of RM60 were also incurred upon purchased.
	Sep	1	Incurred ordinary repairs on printer equipment of RM170.
	Dec.	31	Recorded total depreciation expense for the year 2016 on the basis of a five year life period and estimated salvage value of RM550.
2017	Dec.	31	Recorded total depreciation expense for the year 2017.
2018	Jan.	1	Paid RM800 for an upgrade of the printer. This expenditure is expected to increase the operating efficiency and capacity of the printer.

Instruction:

Journalize the above entries for Boneo Printing Company for each three years.

(5 Marks)

[TOTAL 25 MARKS]

Continued...

QUESTION 4

Part A

Gluten Company prepared the Statement of Comprehensive Income as below:

GLUTEN COMPANY
Statement of Comprehensive Income
For the Year Ended 31 December 2016

	(RM)	(RM)
Sales		8,200,000
Less: Cost of goods sold		4,100,000
Gross profit		4,100,000
Less: Operating expenses		
Selling expenses	500,000	
Administrative expense	700,000	
Depreciation expense	70,000	
Amortization expense	25,000	1,295,000
Net income		2,805,000

Additional information:

1. Accounts receivable increased by RM200,000 during the year.
2. Inventory increased RM150,000 during the year.
3. Prepaid expenses increased RM100,000 during the year.
4. Accounts payable to merchandise suppliers increased RM80,000 during the year.
5. Accrued expenses payable increased RM130,000 during the year.

Instructions:

(a) Prepare the operating activities section of the Statement of Cash Flows for the year ended 31 December 2016, for Gluten Company, using the direct method. Show all detail workings.

(9 Marks)

(b) There are three main activities in preparing the statement of cash flow which are operating, investing and financing activities. What is the difference between Investing and Financing activities?

(2 Marks)

Continued...

Part B

Comparative Statement of Financial Position for Memo Company are presented as below.

MEMO COMPANY

Comparative Statement of Financial Position

31 December

	2016	2015
Assets	(RM)	(RM)
Cash	21,300	
Account receivable	24,700	23,300
Investments	20,000	
Equipment	52,000	60,000
Less: Accumulated depreciation - equipment	12,000	8,000
Total	130,000	91,300
Liabilities		
Accounts payable	18,000	10,800
Bonds payable	14,000	26,700
Common stock	50,000	32,100
Retained earnings	48,000	21,700
Total	130,000	91,300

Additional information:

1. Net income was RM26,500. Dividends declared and paid were RM17,500.
2. Equipment which cost RM8,000 and had accumulated depreciation of RM1,000 was sold for RM5,600.
3. All other changes in non-current account balances had a direct effect on cash flows, except the change in accumulated depreciation.

Continued...

Instruction:

Based on above information, prepare the Statement of Cash Flows until operating activities for the year 2016 for Memo Company by using indirect method. Show all detail workings.

(5 Marks)

Part C

For each of the following items, indicate by using the appropriate code letter, how the item should be reported in the Statement of Cash Flows, using the indirect method.

A.	Added to net income		E.	Cash outflow—financing activity
B.	Deducted from net income		F.	Cash inflow—financing activity
C.	Cash outflow—investing activity		G.	Significant non-cash investing and financing activity
D.	Cash inflow—investing activity			

1. Decrease in accounts payable during a period.
2. Declaration and payment of a cash dividend.
3. Loss on sale of land.
4. Decrease in accounts receivable during a period.
5. Redemption of bonds for cash.
6. Proceeds from sale of equipment at book value.
7. Issuance of common stock for cash.
8. Purchase of a building for cash.
9. Acquisition of land in exchange for common stock.

(9 Marks)

[TOTAL 25 MARKS]

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